

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Price Changes
Rates of General Applicability

Docket No. CP2017-20

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
THE POSTAL SERVICE NOTICE OF CHANGES IN RATES
OF GENERAL APPLICABILITY FOR COMPETITIVE PRODUCTS

(November 2, 2016)

I. INTRODUCTION

On October 20, 2016, the Commission issued a notice seeking comments on the Postal Service's proposed changes in rates of general applicability for competitive products.¹ The Postal Service's notice in this matter proposes both rate and classification changes.² The Public Representative comments that follow first address the proposed rate changes and then the proposed classification changes.

II. RATE CHANGES

The Postal Service proposes price increases for the majority of the rates of general applicability for competitive products. The Commission reviews these rates

¹ Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, October 20, 2016.

² Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 16-7, October 19, 2016 (Postal Service Notice).

pursuant to previously promulgated regulations, applicable to competitive products, which:

- Prohibit the subsidization of competitive products by market dominant products (See 39 U.S.C. § 3633(a)(1));
- Ensure that each competitive product covers its costs attributable (See 39 U.S.C. § 3633(a)(2)); and
- Ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service (See 39 U.S.C. § 3633(a)(3)).

39 C.F.R. part 3015.

The Public Representative's review focuses on the second requirement to ensure that each competitive product covers its costs attributable. Generally, if all (or substantially all) competitive products meet or exceed this requirement, the first and third requirements most likely will be met. After review of the Postal Service Notice, Governors' Decision No. 16-7, and materials filed under seal, the Public Representative concludes that all competitive products affected by the proposed price changes appear to cover their costs attributable.

The Commission identified six competitive products that did not cover attributable costs during the 2015 Annual Compliance Review (ACR).³ Only the International Money Transfer Service—Inbound product is affected by the instant price change. In the Postal Service Notice, the Postal Service proposes a rate increase of more than 3 percent. The Public Representative concludes that this increase, coupled with the increases described in the Postal Service response to provide additional information in Docket No. ACR2015, helps meet the requirements for this product.

III. CLASSIFICATION CHANGES

The following ten classification changes appear within the Postal Service Notice:

³ Docket No. ACR2015, Annual Compliance Determination Report, March 28, 2016, at 2-3, 78-93.

- The competitive product “Retail Ground” is being renamed “USPS Retail Ground”;
- References to the market dominant product “Standard Mail” are being changed to “USPS Marketing Mail” because of an associated proposal to change the name of this product. See Docket No. R2017-1;
- References to the market dominant ancillary service “Collect On Delivery” are being changed to “COD Hold for Pickup” because of an associated proposal to change the name and service provided. See Docket No. R2017-1;
- The annual mailing permit fee is no longer being required for the Parcel Select product. See Docket No. R2017-1;
- The annual mailing permit fee and the account maintenance fee are no longer being required for the Parcel Return Service product. See Docket No. R2017-1;
- A Priority Mail Express International item presented at retail is being offered a discount;
- New scan/signature options are being offered with Outbound Priority Mail International product;
- The TIGER/ZIP + 4 (Topological Integrated Geographic Encoding and Referencing) category is being eliminated from the Address Enhancement Services, Special Service;
- A prorating of fees is being offered for certain Premium Forwarding Service customers; and
- New rate cells are being added to Premium Forwarding Service applicable to commercial customers labeled as Priority Mail Half Tray Box (Commercial Only), Priority Mail Full Tray Box (Commercial Only), Priority Mail Express Half Tray Box (Commercial Only), and Priority Mail Express Full Tray Box (Commercial Only).

The Postal Service Notice provides little to no explanation for these changes. Governors’ Decision No. 16-7 similarly provides little to no explanation. It is stated that the TIGER/ZIP + 4 category is being retired because of low usage. The documents merely mention the new Priority Mail Express International discount and the new Premium Forwarding Service tray options without providing any details. Some information on a few of the changes is provided in the Docket No. R2017-1 market

dominant filing. However this information is not cross-referenced in the Postal Service Notice in the instant docket.

The Public Representative recognizes the wide latitude or authority that the Postal Service has to make classification changes, especially within the competitive arena. However, within rate change dockets, the Commission's predominant focus is on the 39 U.S.C. § 3633(a) rate requirements, and not on classification changes. The consideration of classification changes within separate dockets would allow the Commission to focus on the classification change aspects of the Postal Service's proposals. This may better inform the Postal Service of the impact of its proposals prior to implementation. Furthermore, the review should include analysis of the policy considerations for the proposed classification changes. This material is missing, for the most part, from the Postal Service's discussion of its proposals.

In the instant docket, the problem is compounded because some classification changes are effectively implemented through changes appearing as market dominant classification changes. However, the market dominant changes also affect the use of an associated competitive product (the Collect On Delivery change, for example). These types of classification changes (classification changes affecting both market dominant and competitive products) could better be analyzed in a separate proceeding.

In conclusion, the Public Representative urges the Commission to adopt a policy of not considering classification changes within a general competitive (or market dominant) rate change docket (other than minor changes to correct errors or changes that have little impact on the mailer).⁴ These docket types provide too little time to adequately consider classification changes. The time constraint is only compounded by the lack of any meaningful explanation on the part of the Postal Service.

Most of the proposed classification changes in the instant docket appear innocuous. However, the Collect On Delivery change, the discount for Priority Mail

⁴ The Commission may find it necessary to promulgate rules to implement this policy.

Express International items presented at retail, and the new rate cells added to Premium Forwarding Service require further attention.

Collect On Delivery. The Postal Service provides Collect On Delivery as an add-on optional service to several competitive products (although Collect On Delivery itself is classified as a market dominant service). In the competitive rate change docket, the Postal Service merely changes the name of the product from “Collect On Delivery” to “COD Hold for Pickup” without explaining the impact of this change relative to the associated competitive product. In the market dominant rate change docket, the Postal Service explains that the Collect On Delivery service will no longer deliver the mailing to the final destination. Instead, all mailings will be held at the local post office for pickup.

The Public Representative is concerned that the impact of the service change on mailers of competitive products will not be adequately addressed in the market dominant docket. For example, in post office closing/consolidation dockets, the Postal Service often has asserted that rural carriers are akin to post offices on wheels; providing many services to rural customers that also are provided by post offices (selling stamps, for example). Many competitive product Collect On Delivery mailings are sent to rural customers. These customers now are going to have to travel to a post office to receive a Collect On Delivery item. The concern is that the change in service from the perspective of a recipient of a competitive product mailing might not be examined.

Additionally, the Postal Service is proposing price increases for this service while stripping the service of one of its valued features, *i.e.*, final delivery. This diminution in service should be accounted for in the price cap calculation.⁵ The impact of this effective significant price increase relative to recipients of competitive mail products also must be examined. The Public Representative submits that these questions could be better addressed in a separate classification change docket.

⁵ The Public Representative assumes the price cap concern will be addressed in Docket No. R2017-1.

Discount for Priority Mail Express International items presented at retail. The Postal Service is proposing a discount for certain Priority Mail Express International items presented at retail. The Public Representative urges the Commission to gather additional information before recommending this change. One item that should not be approved is the proposed Mail Classification language which follows:

Priority Mail Express International Offered at a Discount at Retail

If a customer requests PMI at a Postal Service retail counter for an item for which postage has not been previously paid, weight-rated PMEI **may be offered to certain destinations, for certain weight steps**, at a discounted price equivalent to the corresponding weight-based rate in the PMI Parcels Retail price table (2315.6), if all PMEI eligibility requirements are met and **the Postal Service determines that service can be improved** and/or the PMEI destination country delivery costs are lower than PMI destination country delivery costs.

Proposed MCS § 2305.6 [**bold emphasis added**].

In developing the current version of the Mail Classification Schedule, an attempt was made to provide useful and non-ambiguous information to the reader. Attempts were made to eliminate phrases such as “as determined by the Postal Service” because it provides no useful information to the reader. An attempt also was made to limit cross-referencing to other sections of the Mail Classification Schedule or outside materials because cross-referencing makes the text less understandable and more difficult to follow.⁶

Thus terms like “may be offered,” “to certain destinations,” “for certain weight steps,” and “the Postal Service determines that service can be improved” are undesirable because they are ambiguous and provide little information to the reader. The Public Representative urges the Commission to address the inadequate as proposed Mail Classification Schedule language. Mail Classification language should

⁶ The Public Representative acknowledges that the Commission was not always successful in accomplishing these goals because of the nature of the material.

be as complete and concise as possible in order to provide mailers with enough information that they know what they are purchasing, *i.e.*, transparency in pricing.

The Response of the United States Postal Service to Chairman's Information Request No. 1, Question 5, filed on October 28, 2016, adds little to remove ambiguity from the Mail Classification Schedule language. The response continues to obscure the eligibility requirements for this product and does little to further transparency when offering postal products on a fair and equitable basis to similarly situated mailers.

New rate cells added to Premium Forwarding Service. There is insufficient information provided for the Public Representative to comment on the proposed new rate cells available only to commercial mailers within Premium Forwarding Service. Again, this classification change would be better addressed in a separate mail classification docket.

IV. CONCLUSION

The Public Representative respectfully submits these comments for the Commission's consideration.

Respectfully submitted,

James Waclawski
Public Representative

Joseph D. Moeller
Technical Assistance

901 New York Ave. NW, Ste 200
Washington, DC 20268-0001
202-789-6826, FAX 202-789-6861
james.waclawski@prc.gov